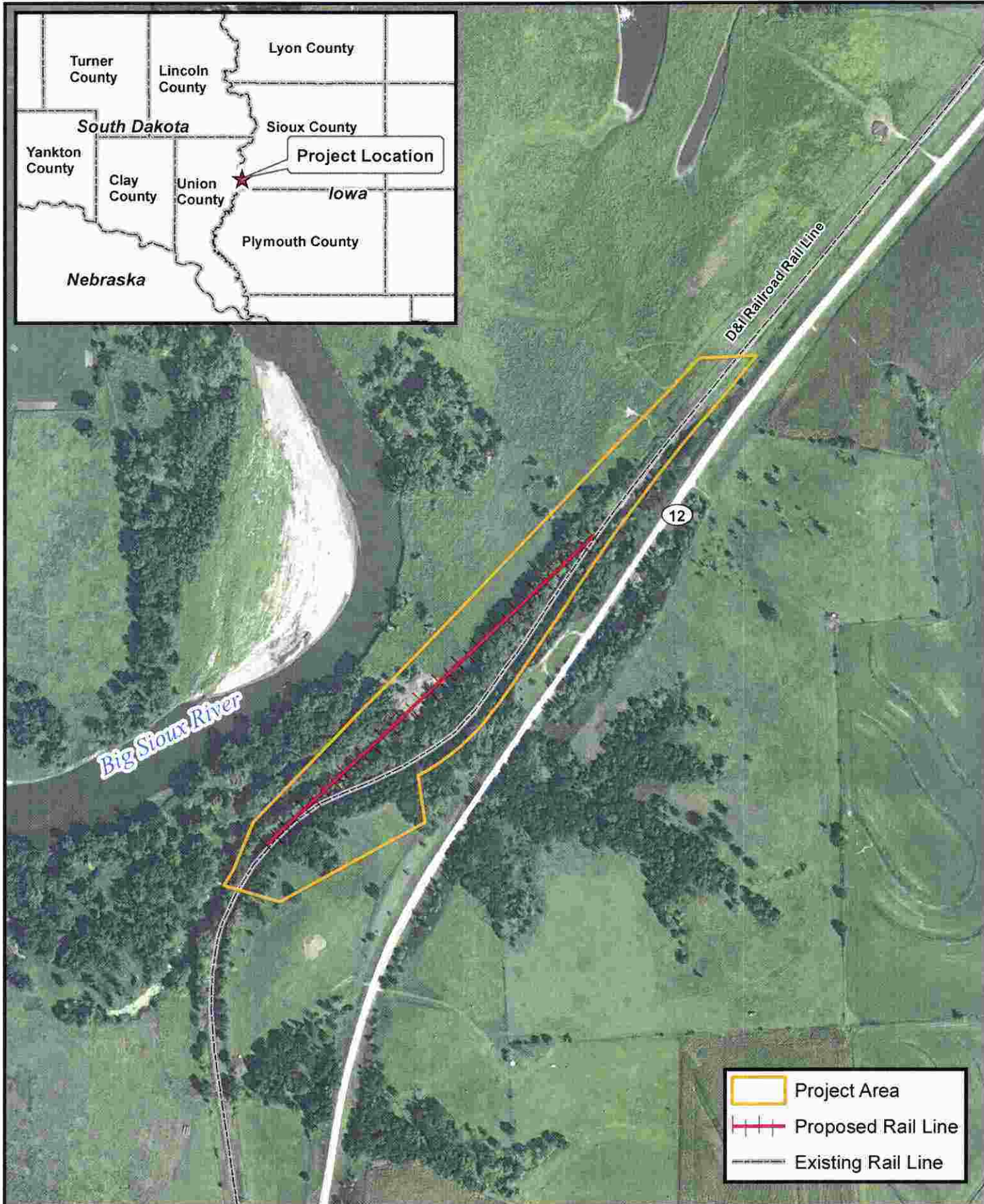


State of South Dakota Owned RR Right of Way
2.7 Acres Plus or Minus

12.8 Acres
Plus or Minus
Wrightway of
Barton Spur Wye

Jarrett Junction, Mile Post, 74.5 on the G&P Subdivision

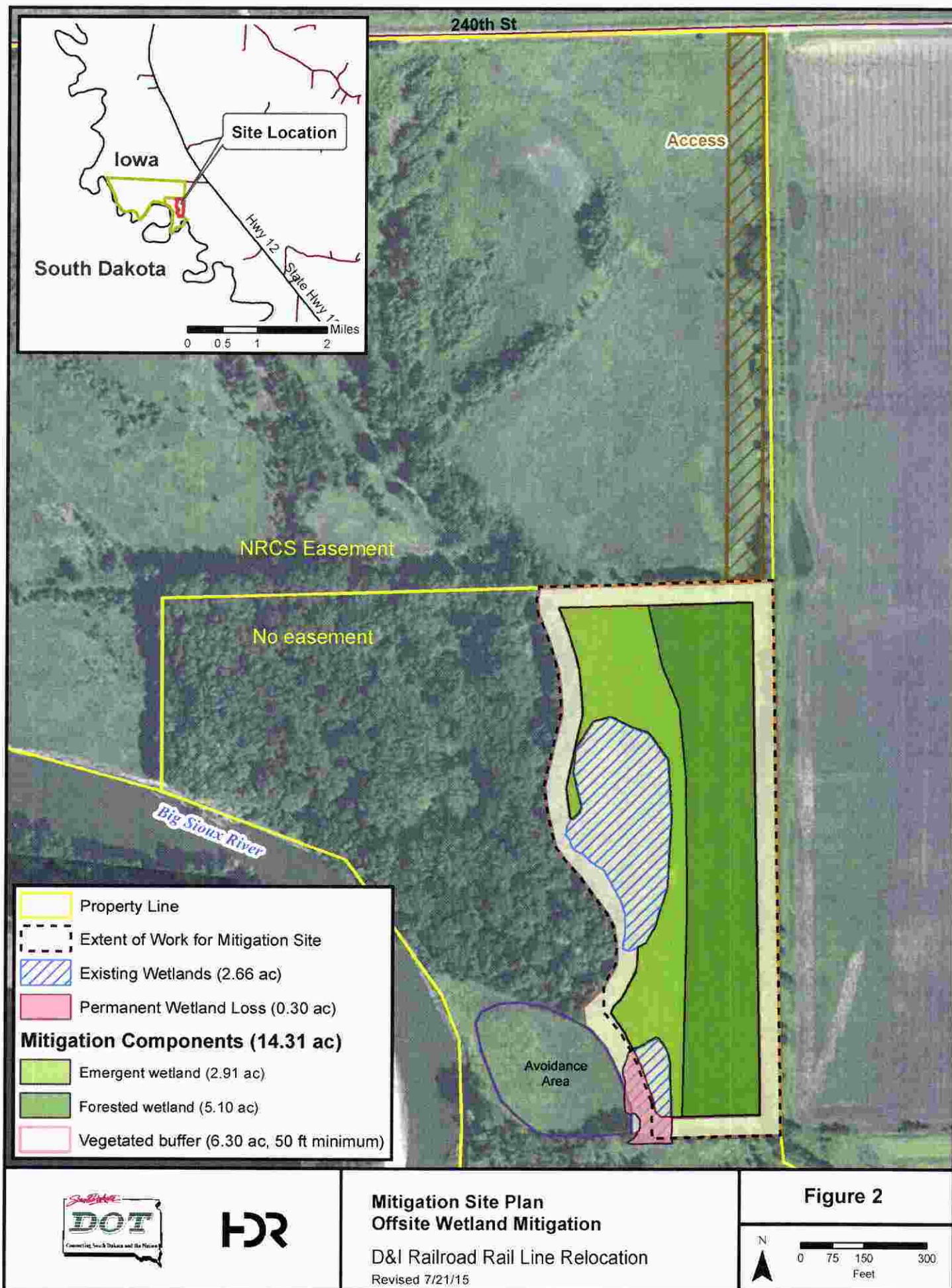


Project Area

D&I Railroad Rail Line Relocation

Figure 2





December 18, 2017

Harlan Quenzer

2604 Thunderbird Drive

Mitchell, SD 57301

Re: MRC and Dakota Southern

Dear Mr. Quenzer,

Even though I have retired from the South Dakota Department of Transportation, I have followed the media accounts of developments and issues surrounding the state-owned rail network. I am requesting that you make this letter available to the Board at your upcoming meeting.

While I am proud of all the advancements on state owned rail during my time, I am especially proud of the MRC. I am not just proud because we received funding for a couple grants I wrote, but of the time and effort of the staff and administration put in to make these very difficult projects successful. The Railroad Board and the MRC Regional Railroad Authority also deserve a large chunk of credit. In my opinion, they made all the right decisions at the right time.

I noticed in the media some controversy regarding the Dakota Southern and their operation of the line, and understand this is a topic for an upcoming board meeting. I would like to provide some history on how the line arrived at the condition it is today, and some comments on the issues that are in front of the Board.

By the time I arrived at DOT the MRC was only being operated to the box plant in Mitchell. There was an attempted move from Presho of loaded grain cars – the train moved at 3mph when it wasn't stuck in the grass. The line was in very, very poor condition. The line consisted of mostly 65lb rail, whatever ties were left, sod (no ballast for 98% of the line) and gage rods. The then Dakota Southern(owned by Alex and Dick Huff) had pulled loaded cars over the Missouri River Bridge and for quite a distance west of Chamberlain – ruining and damaging many structures. Mostly though – the condition was due to neglect, first by Milwaukee Road and then by Alex Huff who owned Dakota Southern.

At that time in the late 1990's and early 2000's, the State of South Dakota spent a considerable amount of time trying to improve the state owned lines in order to maintain or increase traffic on the lines. The previous federal funding source (the Local Freight Rail Assistance Program) had ended and the balance of the RR Trust Fund was not as large as it would become in later years. We were able to do a couple of projects that were paid for out of the "Amtrak Non Equity" fund. Those projects included work on the Britton Line and the core line. However, the idea that we would improve the MRC to the point where it could move 10,000 cars per year was more of a dream or fantasy – the amount of funding needed was so large as to be impossible to accomplish that kind of project.

In my years at DOT as Program Manager of Air, Rail and Transit, I took a lot of calls from potential operators of state owned lines – they all had the same question: How much money was the state going to put into the line to make it operational and maintain it? They were simply unwilling to provide monies to improve a property that was owned by the state. This question came up even during the solicitation for operators on the NAPA Line. The idea that an operator on a state owned “local option” line would provide significant capital to improve that line simply was unheard of. Why would a private company invest their capital into an asset they would never own?

The TIGER II grant application was revolutionary in terms of forming a private / public partnership. For the first time we had an operator willing to spend very significant money on an asset that was owned by the state. I said to people at that time “We do not have people lining up to spend millions of dollars improving a railroad they don’t own”.

After Mike Williams bought Dakota Southern from the Huff brothers the TIGER II Notice of Funding Availability was published by USDOT. I had been talking to Mr. Williams about possible ways to find funding to improve the line, so I called him and told him about the TIGER Grant. I explained to Mike that we had a decent chance, but needed **non**-State match money to have a competitive chance at the grant. Mike Williams rose to the challenge and pledged \$2 million, the State and regional railroad authority funded the balance of the match and the grant was successful

When we let the bids, we discovered we didn’t have enough money to complete the project. Mr. Williams contributed the remaining rail needed, that was estimated at an additional \$1.5 million of materials.. The project would soon become successful.

I do not know of any other entity that would have invested \$3.5 million in an asset owned by the State, with the idea they could develop some industries on the line to gain the revenue to pay for the investment. Without the investment by Mr. Williams, the project would never have been done and you would not be having this conversation today. The MRC would still be in the mud with no traffic and no improvements.

After and during that project the Huffs began a campaign against the MRC, Mike Williams, myself and the project. I was very surprised to find out (based on what the Huffs were telling people) how much of a crook I was, despite not ever having served time or ever being arrested – unlike my accuser. Their efforts to discredit the project and persons associated with has cost the state tens of thousands of dollars in increased testing (geometry car) and time to meet with FRA inspectors and many various audits. As I recall, the audits and various inspections never found anything of note.

We didn’t have the funds to upgrade the bridges east of Chamberlain during the TIGER II project and Mr. Williams took that on as a Dakota Southern funded project. The value of these bridge repairs is probably in the millions of dollars. I was not at the state by the time it was completed, but the bridges that I inspected were reconstructed to a high standard.

We eventually received another TIGER Grant – this one to reconstruct from Chamberlain to Presho. Again, the support and cooperation from the local communities, Rails to the Future, Dakota Southern, the Legislature, SDDOT, the MRCRRA and the SD Rail Road Board was amazing. With funds provided by the state, local communities and individual people, the Feds and \$1.1 million in matching funds from Mr.

Williams we were able to fund the project. This project was completed after I retired from DOT, but I hear that it looks very good.

Between the two TIGER projects and a 3 ½ mile project to relay rail near Mitchell – 104 miles of rail was reconstructed. Think of that for a second – 104 miles of a nearly worthless state owned asset was transformed into an economic engine in South Dakota. Two shuttle elevators and another one on the way. New business looking to locate on the line. I had a farmer tell me that Kimball “absolutely put a floor on the price of grain” and it was “the best thing that ever happened to his operation”. Think of what these elevators did for the people in Plankinton, Kimball, Kennebec and Presho. It was, and still is astonishing what can be accomplished when people have a shared vision.

I am unsure what the motivation of the Huff brothers is. I recall speaking to Dick one day for well over an hour – I answered all his questions, corrected his incorrect factual assertions, and generally tried to work with him. Very shortly later I heard him repeating his factually incorrect statements. I was called by a contact at the BNSF asking if Richard Huff worked for the State. I said he did not. She indicated that Mr. Huff called her twice, posing as a state employee trying to get information about Dakota Southern and Railroad Material Salvage. She also provided a transcript of that conversation. Mr. Huff was contacted by law enforcement and told to cease and desist that behavior.

Again, while I am uncertain of the motivations of the Huff brothers, I am certain that the constant barrage of accusations, misinformation, hard feelings, conspiracy theories and time and effort on the part of everyone to respond, damages the very good things that have come out of this project, and the people and institutions that made these dreams a reality. While I understand there are some issues that need to be resolved, they seem to me to be minor when compared to the scope of the accomplishment and the investments made by Williams and others. It is very easy to be critical, and much more difficult to build something. I request the Board consider this question during their deliberations: Who has done more to restore the MRC – the Huff brothers or the Williams? I think the answer is obvious.

I trust the SD Rail Road Board will once again do the right thing.

Regards,

Bruce Lindholm